



# **Department of Veterans Affairs Office of Inspector General**

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## **Combined Assessment Program Review of the VA Regional Office Reno, Nevada**

## **Office of Inspector General**

### **Combined Assessment Program Reviews**

Combined Assessment Program (CAP) reviews are part of the Office of Inspector General's (OIG's) efforts to ensure that high quality health care and benefits services are provided to our Nation's veterans. CAP reviews combine the knowledge and skills of the OIG's Offices of Healthcare Inspections, Audit, and Investigations to provide collaborative assessments of VA medical facilities and regional offices on a cyclical basis. The purposes of CAP reviews are to:

- Evaluate how well VA facilities are accomplishing their missions of providing veterans convenient access to high quality medical and benefits services.
- Determine if management controls ensure compliance with regulations and VA policies, assist management in achieving program goals, and minimize vulnerability to fraud, waste, and abuse.
- Provide fraud and integrity awareness training to increase employee understanding of the potential for program fraud and the requirement to refer suspected criminal activity to the OIG.

In addition to this typical coverage, CAP reviews may examine issues or allegations referred by VA employees, patients, Members of Congress, or others.

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## **Executive Summary**

### **Introduction**

During the period July 26–30, 2004, the Office of Inspector General (OIG) conducted a Combined Assessment Program (CAP) review of the VA Regional Office Reno, NV, which is under the Veterans Benefits Administration (VBA) Western Area Office. The purpose of the review was to evaluate selected regional office operations, focusing on benefits claims processing and financial and administrative controls. During the review, we also provided fraud and integrity awareness training to 68 regional office employees.

### **Results of Review**

The CAP review covered 10 areas. The regional office complied with selected standards in the following three areas:

- Automated Information Systems Security
- Large Retroactive Payment Controls
- System-Generated Messages

Based on our review, the following organizational strength was identified:

- System-generated messages were properly processed.

We identified seven areas that needed management attention. To improve operations, the following recommendations were made:

- Reduce benefit payments for veterans hospitalized for extended periods of time at Government expense.
- Promptly reduce benefit payments for incarcerated veterans.
- Improve Vocational Rehabilitation and Employment (VR&E) program data, case management documentation, and controls over purchases.
- Promptly complete fiduciary accountings.
- Strengthen management controls over the Government Purchase Card Program.
- Improve Benefits Delivery Network (BDN) security for regional office employee-relatives' Compensation and Pension (C&P) files.

A suggestion for improvement was made in the following area:

- Improve management controls over sensitive and locked claims folders.

This report was prepared under the direction of Ms. Janet Mah, Director, Los Angeles Audit Operations Division, and Ms. Delise Shearer, CAP Review Coordinator, Los Angeles Audit Operations Division.

### **Western Area Director and Regional Office Director Comments**

The Western Area and Regional Office Directors generally agreed with the CAP review findings and provided acceptable improvement plans. (See Appendix A, beginning on page 13, for the full text of the Western Area Director's comments and Appendix B, beginning on page 15, for the full text of the Regional Office Director's comments.) Although the Regional Office Director did not agree with our recommendation to segregate Government Purchase Card Program duties, the Western Area Director acknowledged our concerns and provided an acceptable improvement plan for this recommendation. We will follow up on the planned actions until they are completed.

*(original signed by:)*

**RICHARD J. GRIFFIN**  
Inspector General

## Introduction

### Regional Office Profile

**Organization and Programs.** The regional office provides C&P, VR&E, and burial benefits to eligible veterans, dependents, and survivors residing in Nevada and the Northeastern California counties of Alpine, Lassen, Modoc, and Mono. The regional office operates a suboffice in Las Vegas, NV, that provides C&P and VR&E program services. The estimated veteran population served by the regional office is 245,000.

During Fiscal Year (FY) 2003, the regional office processed C&P claims for 19,635 beneficiaries and authorized payment of about \$197 million in C&P benefits. As of July 2003, the regional office had 697 participants in the VR&E program, which provides evaluations, counseling, education and training programs, and other services to service-disabled veterans with employment impairments. As of June 2004, the regional office provided fiduciary oversight for approximately 425 incompetent veterans and other beneficiaries.

**Resources.** In FY 2003, the regional office's general operating expenditures were about \$6.1 million. As of June 2004, the regional office had 78 full-time employees.

### Objectives and Scope of the CAP Review

**Objectives.** CAP reviews are one element of the OIG's efforts to ensure that our Nation's veterans receive high quality VA health care and benefits services. The objectives of the CAP review are to:

- Conduct recurring evaluations of selected health care facility and regional office operations focusing on patient care, quality management, benefits, and financial and administrative controls.
- Provide fraud and integrity awareness training to increase employee understanding of the potential for program fraud and the requirement to refer suspected criminal activity to the OIG.

**Scope.** We reviewed selected benefits claims processing, financial, and administrative activities to evaluate the effectiveness of benefits delivery and general management controls. Benefits delivery is the process of ensuring that veterans' claims and requests for benefits and services are processed promptly and accurately. Management controls are the policies, procedures, and information systems used to safeguard assets, prevent errors and fraud, and ensure that organizational goals are met. The review covered regional office operations for FY 2003 and FY 2004 through June 2004 and was done in accordance with OIG standard operating procedures for CAP reviews.

In performing the CAP review, we interviewed managers and employees, reviewed beneficiary files and financial and administrative records, and inspected work areas. The review covered the following 10 activities:

Automated Information Systems Security	Government Purchase Card Program
Benefits Delivery Network Security	Incarcerated Veteran Benefit Adjustments
C&P Hospitalization Adjustments	Large Retroactive Payment Controls
Employee Claims Folder Security	System-Generated Messages
Fiduciary and Field Examinations	Vocational Rehabilitation and Employment

Activities that were particularly effective or otherwise noteworthy are recognized in the Organizational Strength section of this report (page 3). Activities needing improvement are discussed in the Opportunities for Improvement section (pages 4–12). For these activities, we make recommendations or suggestions. Recommendations pertain to issues that are significant enough to be monitored by the OIG until corrective actions are implemented. Suggestions pertain to issues that should be monitored by VBA and regional office management until corrective actions are completed. For the activities not discussed in the Organizational Strength or Opportunities for Improvement sections, we did not identify any reportable deficiencies.

During the CAP review, we also provided fraud and integrity awareness training sessions that were attended by 68 regional office employees. The briefings covered procedures for reporting suspected criminal activity to the OIG and included case-specific examples illustrating benefits fraud, false claims, procurement fraud, and bribery.

## Results of Review

### Organizational Strength

**System-Generated Messages Were Properly Processed.** BDN generates system messages to advise field stations of the need to review beneficiaries' records. These system-generated messages are provided on two forms. A "Notice of Benefit Payment Transaction" (VA Form 20-6560) is used to notify regional offices of changes to C&P master records. Such changes may be the result of processing future-date actions initiated by information stored within the system or certain transactions initiated by the regional office or VA data processing center, such as actions to suspend or stop payments. If an automated audit detects a potential error, a "C&P Master Record-Audit Writeout" (VA Form 20-8270) is generated. The form provides the beneficiary's complete master record and a message code with an explanation of the type of error found.

We reviewed a judgment sample of 50 system messages generated by BDN during April and May 2004 and concluded that Veterans Service Center (VSC) staff took appropriate actions to process system-generated messages.

## Opportunities for Improvement

### Compensation and Pension Claims Processing – Benefit Payments for Hospitalized Veterans Should Be Promptly Reduced

**Condition Needing Improvement.** VSC staff did not promptly reduce C&P benefit payments to veterans who were hospitalized for extended periods at Government expense. In certain situations, Federal law requires the reduction of C&P payments to hospitalized veterans. For example, payments to veterans who are entitled to aid and attendance allowances, in addition to their regular disability pension or compensation benefits, generally must be reduced to the lower housebound rate if the veterans are hospitalized at Government expense. The reduction is to be effective the last day of the month following the month in which the veteran was admitted for hospitalization.

Our review disclosed that veterans hospitalized at Government expense were overpaid C&P benefits. At our request, the VA healthcare systems in Las Vegas and Reno identified 115 veterans who had been continuously hospitalized at Government expense for 90 days or more as of June 2004. We reviewed a judgment sample of 10 of the 115 hospitalized veterans' claims folders and found that 9 of the 10 veterans receiving C&P benefits should have had their benefits reduced. These veterans were overpaid \$60,721 while hospitalized at Government expense.

Benefits payments had not been reduced because VSC staff did not consistently identify hospitalized veterans whose C&P benefits required adjustment. The staff did not review reports from VA's Automated Medical Information Exchange system that identified veterans admitted to VA medical facilities or VA contract nursing homes. In addition, VSC staff did not send hospital admissions reports to VA's Pension Maintenance Center in St. Paul, MN for the three veterans in our sample who were overpaid pension benefits. The regional office's Post Team Coach agreed with the results of our review and took immediate corrective action to reduce C&P benefits payments as appropriate for the nine veterans.

**Recommended Improvement Action 1.** We recommended that the Western Area Director ensure that the Regional Office Director requires: (a) VSC staff take action to adjust benefits payments on the remaining 105 cases identified after providing claimants with 60 day due process notifications and (b) VSC staff receive refresher training on processing hospital adjustments.

The Western Area and Regional Office Directors agreed with the findings and recommendations and reported that the 105 claimants, whose awards required adjustment would receive due process notifications by November 1, 2004, and would have their awards adjusted, if possible, by February 1, 2005. In addition, refresher training was

provided to VSC staff during October 2004. The improvement plans are acceptable, and we will follow up on the planned actions until they are completed.

### **Incarcerated Veteran Benefit Adjustments – Benefit Payments for Incarcerated Veterans Should Be Promptly Reduced**

**Condition Needing Improvement.** VSC management needed to improve the timeliness of benefit payment reviews and adjustments for incarcerated veterans. Under Federal law, a veteran imprisoned in a Federal, State, or local penal institution within the United States is subject to a reduction or discontinuance of C&P benefits. As a result, VA has agreements with the Bureau of Prisons (BOP) and the Social Security Administration (SSA) under which VA is provided monthly listings of Federal, State, and local inmates who may also be VA beneficiaries. VBA policy requires VSC staff to review the monthly BOP and SSA listings and reduce benefit payments of veterans who have been incarcerated more than 60 days and who meet benefit adjustment criteria.

For the period December 2003 to May 2004, the VSC received two BOP and six SSA listings that identified 29 inmates who could potentially have their C&P benefits reduced or discontinued. At the time of the CAP review, VSC staff had initiated due process to reduce or discontinue benefits for 15 of the 29 inmates confirmed as incarcerated veterans receiving C&P benefits. However, we found that the VSC staff's review of the listings was not performed until the end of June 2004, an average of 129 days after the VSC received the listings. In one case, a veteran listed on the January 12, 2004, SSA listing contacted the regional office in March 2004 to confirm his incarceration. During the same week, the veteran's spouse called the regional office to confirm the veteran's incarceration and request an apportioned compensation award allowed under VA policy. However, VSC staff did not issue the required due process notice to begin the termination of benefits until June 24, 2004, and did not take any action regarding the spouse's request for an apportionment.

During the CAP review, VSC staff verified that three incarcerated veterans had been imprisoned more than 60 days and had received \$1,711 in benefit overpayments. If the VSC confirms the imprisonment of the 12 remaining incarcerated veterans through the end of July 2004, and there are no apportionments, overpayments could total as much as \$82,000. More timely action to review and adjust C&P payments for incarcerated veterans could have prevented or significantly reduced benefit overpayments. VSC management stated that due to higher workload priorities within the VSC, no staff were available to review the incarcerated veteran information and perform the related benefit adjustments until the end of June 2004.

**Recommended Improvement Action 2.** We recommended that the Western Area Director ensure that the Regional Office Director requires VSC staff to timely process incarcerated veteran benefit adjustments and related apportionment claims.

The Western Area and Regional Office Directors agreed with the findings and recommendation and reported that VSC staff have completed benefits adjustments and related apportionment claims for the remaining 12 veterans. With the completion of these actions, the overpayments totaled \$31,929. The improvement plans are acceptable, and we will follow up on the planned actions until they are completed.

## **Vocational Rehabilitation and Employment Program – Data Accuracy, Case Management, and Purchase Controls Needed Improvement**

**Conditions Needing Improvement.** VR&E management needed to improve the accuracy of VR&E program data in WINRS<sup>1</sup> and BDN; case management documentation in Counseling, Education, and Rehabilitation (CER) folders, including verification of veterans' school attendance; and controls over purchases. The VR&E program provides services and assistance necessary to enable veterans with service-connected disabilities to become employable and obtain and maintain suitable employment. Generally, veterans actively pursuing higher education or other training programs should move sequentially from applicant status through evaluation and planning status, rehabilitation to the point of employment status, employment services status, and rehabilitated status. Veterans who are temporarily inactive in the program should be assigned to interrupted status. Veterans who leave the program and have not been rehabilitated should be assigned to discontinued status.

To determine whether veterans received timely and appropriate VR&E services, we reviewed a judgment sample of 15 cases from the May 29, 2004, "Chapter 31 Veterans In Open Case Status" report. From the report, we reviewed five cases each from applicant status, evaluation and planning status, and rehabilitation to the point of employment status. We identified three areas in the VR&E program that needed improvement.

Accuracy of VR&E Data. VR&E staff needed to improve the accuracy of VR&E data in WINRS and BDN. VR&E staff are required to record caseload data from the veterans' CER folders in WINRS so that they can track and manage their caseloads locally. In addition, WINRS data must also be recorded in BDN to ensure that VBA can monitor the effectiveness of VR&E programs at its regional offices. VR&E policy requires WINRS and BDN data entries to be accurate, consistent, and supported by documentation contained in the veterans' CER folders.

For 6 of the 15 sample cases, WINRS and BDN case status information was incorrect. In 5 of the 6 cases, WINRS had the incorrect rehabilitation status. WINRS indicated that 4 veterans were in applicant status, even though 1 was in evaluation and planning status and the remaining 3 veterans were in rehabilitation to the point of employment status. In the fifth case, WINRS incorrectly indicated that the veteran had been rehabilitated, even

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<sup>1</sup> WINRS is VR&E's electronic case management system. Its name is derived from the first initials of the regional offices where it was piloted: Winston-Salem, NC; Indianapolis, IN; Newark, NJ; Roanoke, VA; and Seattle, WA.

though the veteran was still in applicant status. Finally, in the sixth case, BDN indicated the veteran was in evaluation and planning status, even though the veteran was in rehabilitation to the point of employment status.

Our review of the 15 VR&E cases also disclosed 4 cases where BDN had inaccurate dates of claim. In 3 of the 4 cases, VR&E staff entered the date the applications were received at the regional office after they were mailed from the Las Vegas suboffice, instead of the date the veterans had filed the claims at the Las Vegas suboffice. Consequently, BDN information understated the number of days used to process these three VR&E applications by an average of 166 calendar days. In the final case, VR&E staff entered an incorrect date of claim that overstated by 119 days the time needed to process the VR&E application.

Case Management Documentation. The case manager is responsible for developing, implementing, and documenting veterans' rehabilitation plans and generally managing the veterans' cases throughout their rehabilitation. As part of those responsibilities, the case manager must maintain appropriate documentation related to the veteran's rehabilitation in the CER folder. Our review of the CER folders for the selected 15 VR&E cases disclosed documentation problems in 6 cases, including 3 cases where documentation problems appeared to be related to inadequate case management. Two CER folders did not contain required VR&E application forms; 2 CER folders contained no documentation explaining why the veterans were in applicant status over 60 days; and 3 CER folders did not have the required documentation, such as transcripts, showing case managers had verified the veterans' school attendance.

Verification of Purchases. VBA policy requires case managers to select a random sample of billed purchase cards transactions each month and contact the veterans to ensure that they actually received the goods and services. The case managers for the 15 cases we reviewed did not have any documentation showing that they performed the required monthly verification of transactions. The Acting VR&E Officer stated that the case managers had not verified the receipt of purchased goods and services because they were not aware of this requirement.

**Recommended Improvement Action 3.** We recommended that the Western Area Director ensure that the Regional Office Director requires: (a) V&RE staff review program data in WINRS and BDN for accuracy, make corrections as needed, and properly update the status of veterans' cases; (b) V&RE staff maintain essential CER folder documentation related to the veterans' rehabilitation and verify school attendance; and (c) V&RE case managers perform required monthly random samples of purchase card transactions to verify veterans have received purchased goods and services.

The Western Area and Regional Office Directors agreed with the findings and recommendations and reported that an action plan was developed to review program data in WINRS and BDN for proper documentation, accuracy, and correct case status. The

Acting VR&E Officer conducted refresher training that discussed the requirements for, and importance of, adequate records documentation. Until the new VR&E Officer reports for duty in January 2005, the Regional Office Director will monitor quality assurance reviews and conduct random reviews of CER files. In addition, the Acting VR&E Officer is contacting veterans on a random basis to verify receipt of goods and services. The Regional Office Director will ensure that the new VR&E Officer has an effective plan to monitor the receipt of goods and services. The improvement plans are acceptable, and we will follow up on the planned actions until they are completed.

### **Fiduciary and Field Examination Activities – Field Examinations and Accountings Should Be Completed Promptly**

**Condition Needing Improvement.** Fiduciary and Field Examination (F&FE) staff needed to promptly notify appropriate officials when fiduciaries' required accountings were overdue.

VA policy requires accountings be completed within 90 days of the date scheduled and at least once every 3 years. For the 10 beneficiaries' cases we reviewed, we determined that 3 fiduciary estate accountings had not been completed within the time limits set forth in VA policy. At the time of our site visit, a beneficiary's scheduled accounting was overdue by 207 calendar days. The two remaining beneficiaries did not have accountings completed at least once every 3 years. One beneficiary had an accounting completed for the period March 1, 2003, through February 29, 2004, but did not have an accounting during the preceding 5-year period. The second beneficiary had a completed accounting for the period January 1, 2003, through December 31, 2003, but did not have an accounting during the preceding 3-year period.

**Recommended Improvement Action 4.** We recommended that the Western Area Director ensure that the Regional Office Director requires F&FE staff to complete fiduciary estate accountings within the required time frames.

The Western Area and Regional Office Directors agreed with the findings and recommendation and reported that effective October 2004 the VSC Manager will report the status of fiduciary estate accountings to the Regional Office Director monthly. A special analysis of fiduciary estate accountings will be done in December 2004, followed by the required annual analysis in March 2005. The improvement plans are acceptable, and we will follow up on the planned actions until they are completed.

### **Government Purchase Card Program – Controls Should Be Strengthened**

**Conditions Needing Improvement.** We evaluated the Government Purchase Card Program to determine if regional office controls were effective. During the first 8 months of FY 2004, 8 cardholders made 340 purchases totaling \$71,959. Our review of a

judgment sample of 20 purchase card transactions disclosed that the purchases were appropriate. However, the Support Services Division Chief needed to improve controls over the administration of the program.

Separation of Duties. VBA policy requires there be a clear separation of duties for authorizing purchases, making purchases, and recording the related purchase card transactions. VBA policy further states that one person cannot perform more than one of these duties for the same transaction. During our review, we determined that the Purchase Card Coordinator (PCC) was also assigned the duties of the Billing Officer. Consequently, the PCC was responsible for issuing and canceling the purchase cards of regional office staff and monitoring the staff's appropriate use of the purchase cards as the Billing Officer.

Because of a staffing shortage at the regional office, VBA's Director of the Office of Resource Management (ORM) had granted the regional office a waiver allowing the PCC to perform the Billing Officer's duties. The waiver did not set a deadline for the regional office to re-establish separation of duties. At the time of the CAP review, the PCC had performed the duties of the Billing Officer for over 1 year. Although the regional office had a waiver, we were concerned that measures had not been taken to mitigate vulnerabilities caused by the lack of separation of duties or to address this internal control weakness over the long term.

Timeliness of Reconciliations. Purchase cardholders were not performing timely VR&E purchase card reconciliations. VA policy states that timeliness standards are met when 75 percent of reconciliations are performed within 10 calendar days and 95 percent are performed within 17 days. In addition, every charge will be reconciled or disputed before it is 30 days old. Of the 119 VR&E purchase card transactions we reviewed, only 3 percent (4 transactions) were reconciled within 10 days, only 16 percent (19 transactions) were reconciled within 17 days, and only 45 percent (53 transactions) were reconciled within 30 days.

Our review of 221 regional office General Operating Expense (GOE) purchase card transactions disclosed that GOE purchase card transaction reconciliations were timelier than those in VR&E. However, the GOE purchase card reconciliations also did not meet VA timeliness standards. Of the 221 GOE transactions we reviewed, only 20 percent (45 transactions) were reconciled within 10 days, only 83 percent (184 transactions) were reconciled within 17 days, and only 95 percent (209 transactions) were reconciled within 30 days.

Monthly Audits. VA policy requires that the PCC conduct monthly audits to monitor the timeliness of purchase card reconciliations. We found that required monthly purchase card audits were not being performed. The PCC, who was also the regional office's Finance Officer, acknowledged these audits were not performed but stated she reviewed all of the purchase card transactions as part of her duties as Finance Officer. We found

that 6 of the 8 VR&E purchase card transaction reconciliations we reviewed were not dated and could not be evaluated for timeliness.

**Recommended Improvement Action 5.** We recommended that the Western Area Director ensure that the Regional Office Director requires: (a) the segregation of the PCC's and Billing Officer's Government Purchase Card Program duties, (b) Regional Office staff perform timely purchase card reconciliations and date the reconciliations at the time they are completed, and (c) the PCC performs monthly audits of the timeliness of purchase card reconciliations.

The Western Area and Regional Office Directors agreed with our findings and recommendations related to purchase card reconciliations and monthly audits. The Regional Office Director will take appropriate action in any case where a transaction is not reconciled within 30 days, and start monthly audits of Government Purchase Card reconciliations in October 2004. The Regional Office Director did not agree with our recommendation regarding segregation of duties due to the regional office's ORM waiver and limited number of staff. However, the Western Area Director acknowledged our concerns and plans to include the regional office in an ORM pilot program that centralizes the finance functions of smaller stations. The improvement plans are acceptable, and we will follow up on the planned actions until they are completed.

### **Benefits Delivery Network Security – Controls Related to Employee Veteran-Relatives' C&P Files Should Be Strengthened**

**Condition Needing Improvement.** VBA requires regional offices to have controls in place to prevent unauthorized access to BDN as well as the misuse of BDN data and any related sensitive veteran and beneficiary data. We found that BDN access was limited to authorized users with a legitimate need and that only staff with a grade of GS-11 or higher were given access to authorize C&P claims. We also found that adequate controls were in place to prevent the same employee from establishing, awarding, and authorizing a C&P claim. We concluded that the regional office's BDN security was effective but could be improved in one area.

VBA policy requires employees to complete an "Annual Certification of Veteran Status and Veteran-Relative" (VA Form 20-0344). The Information Security Officer (ISO) is required to: (1) review these forms, (2) query BDN to verify the employees and relatives status as veterans, and (3) add the identified veteran-employees and their veteran-relatives to the Sensitive File List. The C&P files of veteran-employees and veteran-relatives placed on the Sensitive File List are electronically locked in BDN to prevent employees from accessing their own files, those of co-workers, and veteran-relatives. From the 79 certifications we reviewed, 4 listed veteran-relatives had not been included on the Sensitive File List. The certifications identified the names of the veteran-relatives but did not list required Social Security numbers and birth dates needed to identify and electronically lock their C&P files in BDN. The Support Services

Division (SSD) Chief, responsible for reviewing the forms and querying BDN to verify the veteran-relatives' status did not perform follow-up work needed to obtain the missing information. The SSD Chief stated that although an Alternate ISO had been appointed in October 2003 to perform the follow-up work, the SSD Chief continued to perform the work due to the Alternate ISO's lack of technical expertise.

**Recommended Improvement Action 6.** We recommended that the Western Area Office ensure that the Regional Office Director requires the Alternate ISO to follow up on missing information needed to identify and lock veteran-relatives' C&P files in BDN.

The Western Area and Regional Office Directors agreed with the findings and recommendation and reported that effective October 12, 2004, a new Alternate ISO was designated and assigned responsibility for full compliance with VBA policy. The improvement plans are acceptable, and we will follow up on the planned actions until they are completed.

### **Employee Claims Folder Security – Management Controls For Claims Folders Needed Improvement**

**Conditions Needing Improvement.** The VSC Manager ensured that employee claims folders were separated from the general claims folder population in locked cabinets with keys that were not accessible to unauthorized employees. However, we identified three areas in which management could improve controls over employee claims folders.

Semiannual Audit of Sensitive and Locked Claims Folders. All regional office employee C&P claims should be adjudicated at a regional office where they are not employed. As a result, VBA policy requires regional offices to send their employees' claims folders to a designated regional office of jurisdiction where the claims folders are locked and the employees' C&P claims are adjudicated. Regional offices are required to perform a semiannual audit of sensitive and locked claims folders to ensure their employees' claims folders are at the designated regional offices of jurisdiction. The audit requires an inventory of the employees' locked claims folders at the regional offices of jurisdiction and reconciliation of the inventory with the regional offices' listings of employees' claims folders and electronically locked claims folders in BDN. We determined that the regional office and its regional office of jurisdiction did not perform the required semiannual audit and reconciliation of sensitive and locked claims folders.

Systematic Analysis of Operations. A Systematic Analysis of Operations (SAO) is a written analysis of an organizational element or an operational function of a division. The SAO is a valuable management tool used to identify existing or potential problems as well as define corrective actions. VBA policy requires regional offices to complete an SAO on specific internal controls, including the completion of a sensitive and locked claims folders review. However, we noted the regional office's Internal Controls SAO, dated October 22, 2003, did not include the required review.

Locked Claims Folders Procedures. VBA policy requires every sensitive VBA veteran-employee, relative, and Veteran Service Officer claims folder to include a “Notification of an Employee or Employee-Relative Claims File” (VA Form 20-0344a). The inclusion of this form in the claims folder ensures it is identified as a sensitive folder that should be locked and not allowed to circulate in the general claims folder population. We reviewed 10 employee claims folders for which the regional office was the regional office of jurisdiction and determined that 1 claims folder did not have the required form.

**Suggested Improvement Action.** We suggested that the Western Area Director ensure that the Regional Office Director requires: (a) the VSC Manager perform the required semiannual audits of sensitive and locked claims folders, (b) the regional office’s Internal Controls SAO includes the required completion of a sensitive and locked claims folders review, and (c) VSC staff ensure all employee and employee-relative claims folders include a “Notification of an Employee or Employee-Relative Claims File” form.

The Western Area and Regional Office Directors agreed with the findings and suggestions and reported that the annual Internal Controls SAO due in October 2004 will address the results of the required semiannual audit and review of sensitive and locked claims folders. In addition, VSC staff will ensure all employee and employee-relative claims folders have a “Notification of an Employee or Employee-Relative Claims File” form by November 30, 2004. The improvement plans are acceptable.

## Western Area Director Comments

**Department of  
Veterans Affairs**

**Memorandum**

**Date:** October 21, 2004  
**From:** Western Area Director  
**Subject:** **Reno RO CAP Review**  
**To:** Assistant Inspector General for Auditing (52)

I appreciate your feedback in the Reno CAP Review report. The Reno Regional Office (RO) is in a unique situation due to the fact that over the past several months their Director was detailed to VA Central Office. Additionally, as a smaller station, Reno has struggled with some of the issues that larger stations with greater FTE capacity have not had to face. With the Director now back in place, I believe the recommendations will be addressed and completed in a timely manner.

In the OIG report, it was indicated that the segregation of the duties in the finance division was a cause for concern. The Reno Regional Office Director did not concur with this recommendation, however, VA Central Office is currently piloting a program to centralize many finance functions which will alleviate some staffing concerns for smaller stations. I am working with the Office of Resource Management to include Reno in the next round of this project.

Attached is the response from the Reno Regional Office to the CAP review conducted July 26-30, 2004. I have reviewed this response and think the RO has addressed the concerns raised by the CAP review team. The Western Area Office will continue to monitor the station's performance and provide assistance when possible.

If you have any questions, please contact me at (602) 627-2746.

*(original signed by:)*

Diana M. Rubens  
Western Area Director

## Regional Office Director Comments

**Department of  
Veterans Affairs**

**Memorandum**

**Date:** October 18, 2004  
**From:** Director, VA Regional Office, Reno, Nevada (354/00)  
**Subject:** **CAP Review Report**  
**To:** Director, Los Angeles Audit Operations Division of  
Inspector General (52LA)

Enclosed is the Reno Regional Office response to the Combined Assessment Program (CAP) Review Draft Report. The Reno office concurs with the recommendations and suggested improvement actions for our station with the exception of the recommended improvement action 5(a). Attached is additional information concerning specific corrective actions resulting from the review as well as our comments concerning item 5(a).

We appreciate the analysis provided by the audit team. Their findings, along with our corrective actions, should improve the delivery of benefits and services at this regional office.

Should you have any questions or concerns regarding our reply, please feel free to contact me at (775) 784-5500.

*(original signed by:)*  
STEPHEN SIMMONS  
Director

### **Director's Comments to Office of Inspector General's Report**

The following Director's comments are submitted in response to the recommendation and suggestions in the Office of Inspector General Report:

#### **OIG Recommendation(s)**

**Recommended Improvement Action 1.** We recommended that the Regional Office Director requires: (a) VSC staff take action to adjust benefits payments on the 105 cases identified after providing claimants with 60-day due process notifications, and (b) VSC staff receive refresher training on processing hospital adjustments.

Concur                      **Target Completion Date:** (a) provide due process by November 30, 2004. Complete requisite adjustment action by February 1, 2005 \* (b) November 1, 2004.

(a) We will ensure that all of the 105 claimants, whose awards require adjustment, receive due process notifications by November 1, 2004. We will complete the adjustment actions by February 1, 2005 (\* except for any case where a pre decisional hearing is requested. Pre-decisional hearings would delay final action by a minimum of 60 days.) (b) We will provide refresher training during this month (October).

**Recommended Improvement Action 2.** We recommended that the Regional Office Director requires VSC staff to timely process incarcerated veterans' benefit adjustments and related apportionment claims.

Concur                      **Target Completion Date:** Completed

We completed action on the identified cases here. Some of the cases located at the Pension Maintenance Center still have actions pending. Electronic review indicates controls on those cases are current.

**Recommended Improvement Action 3.** We recommended that the Regional Office Director requires: (a) V&RE staff review program data in WINRS and BDN for accuracy, make corrections as needed, and properly update the status of veterans' cases, (b) V&RE staff maintain essential CER folder documentation related to the veterans' rehabilitation and verify school attendance as required by VBA policy, and (c) V&RE case managers perform required monthly random samples of purchase card transactions to verify veterans have received purchased goods and services.

Concur

**Target Completion Date:** July 1, 2005

(a) We effected an action plan on September 1, 2004, to review 750 cases for proper documentation, accuracy and correct case status. A final report is due to the Director by July 1, 2005. (b) The acting VR&E Officer (VREO) conducted training in August, and thoroughly discussed the requirements for, and importance of, adequate records documentation. Until the new VREO reports for duty to this station in January 2005, the Director will monitor quality assurance reviews and conduct random reviews of CER files. (c) The acting VREO is making random contacts to verify receipt of supplies and materials now. The Director will ensure that the new VREO has an effective plan to monitor receipt of goods.

**Recommended Improvement Action 4.** We recommended that the Regional Office Director requires F&FE staff complete fiduciary estate accountings within required timeframes.

Concur

**Target Completion Date:** Completed.

Effective October 2004, the Veterans Service Center Manager reports the status of estate accountings monthly to the Director. We will conduct a special analysis of the operation in December 2004, followed by the required annual analysis in March 2005.

**Recommended Improvement Action 5.** We recommended that the Regional Office Director requires: (a) the segregation of the PCC's and Billing Officer's purchase card program duties, (b) Regional Office staff perform timely purchase card reconciliations and date the reconciliations at the time they are completed, and (c) the PCC performs monthly audits of the timeliness of purchase card reconciliations and approvals.

Concur, In Part                      **Target Completion Date:** (b) Completed. (c) October 31, 2004

(a) As discussed, we have a valid approval for deviation from this VBA handbook requirement. The staffing limits recognized in the granting of the deviation will continue. We find the present situation to be the least vulnerable. The limited number of personnel, with the requisite skill sets, who do not either purchase or authorize makes alternate solutions infeasible. (b) Effective October 2004, the SSD Chief has the Director's full support in strict enforcement of the reconciliation requirements. The Director will take appropriate action in any case where a transaction is not reconciled within 30 days. (c) We appreciate the discussion on, and clarification about, this audit requirement. While the daily reviews will continue, the SSD Chief will perform the required monthly audits starting this month (October 2004).

**Recommended Improvement Action 6.** We recommended that the Regional Office Director requires the Support Services Division Chief to follow-up on missing information needed to identify and lock veteran-relatives' C&P files in BDN.

Concur                              **Target Completion Date:** October 2004.

The fact that this RO does not have an ISO has contributed to problems in this area. We will discuss this matter further with Area Director. However, effective October 12, 2004, the new RO Management Analyst was designated the Alternate ISO, and assigned responsibility for full compliance.

**OIG Suggestion(s)**

**Suggested Improvement Action.** We suggested that the Regional Office Director requires: (a) the VSC Manager perform the required semiannual audits of sensitive and locked claims folders, (b) the Regional Office's Internal Controls SAO includes the required completion of a sensitive and locked claims folder review, and (c) VSC staff ensure all employee and employee-relative claims folders have a "Notification of an Employee or Employee-Relative Claims File" form.

Concur  
30, 2004

**Target Completion Date:** November

The annual Internal Controls SAO, due this month (October 2004) will cover (a) and (b). We are currently obtaining the requisite annual certifications from employees. We will ensure full compliance with (c) by November 30, 2004.

## **Monetary Benefits in Accordance with IG Act Amendments**

<b><u>Recommendation</u></b>	<b><u>Explanation of Benefit(s)</u></b>	<b><u>Better Use of Funds</u></b>
1	Benefits payments of veterans hospitalized at Government expense for extended periods should be reduced.	\$60,721
2	Benefits payments of selected incarcerated veterans should be reduced.	31,929
	Total	\$92,650

## OIG Contact and Staff Acknowledgments

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